

Minutes City Council Issue Review Session March 25, 2010

Minutes of the Tempe City Council Issue Review Session held on Thursday, March 25, 2010, 6:00 p.m., in the City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

COUNCIL PRESENT:

Mayor Hugh Hallman
Councilmember P. Ben Arredondo
Councilmember Joel Navarro
Councilmember Corey D. Woods

Vice Mayor Shana Ellis
Councilmember Mark W. Mitchell
Councilmember Onnie Shekerjian

Mayor Hallman called the meeting to order at 6:15 p.m.

Call to the Audience

None.

Medical Plan Update

DISCUSSION

Mayor Hallman stated his intent to declare a conflict of interest later during the Formal Council meeting, he would not be participating in the discussions.

Jon O'Connor stated that over the past few months staff has been working with representatives from the Six Sided Partnership along with retired employees to review the Request for Proposals (RFP) for upcoming health plan changes. Lynna Soller stated that the City is moving away from the current arrangement of being partially self-funded, partially fully insured arrangement to a completely wholly self-funded arrangement with Cigna along with their fully owned third party administrator, Allegiance for claims payments. Staff projects that there will be a 60.2% savings on services versus the current 43.5% savings, thus yielding a \$4 million overall savings, with \$3 million of those savings in the general fund.

The plan design will remain the same in terms of co-pays and deductibles. In lieu of the staff model plan for Cigna, the city will move to an exclusive provider organization arrangement with Cigna. Also included is a network broadening to include in-network coverage options for retirees who reside out of state, as with inclusion of the Mayor Clinic within Cigna's network. There will be no disruption in service for current Cigna participants. However, they will not be required to use the CIGNA facilities. There is a significant increase of specialists and hospitals for in network participants. RFP evaluation criteria included:

- Plan design and conformity to desired scope of work
- Network composition and access
- Pricing
- Claims administration
- Reporting capabilities
- General administration
- Performance guarantees

Ms. Soller added that employees will be able to use out of network providers by paying out of network fees. Mr. O'Connor added that the number of employees impacted by out of network will be fairly minimal due to the extensive network of providers in the proposed plan.

Councilmember Navarro asked if the proposed coverage was the same or better. Ms. Soller responded that the coverage is not so much as better, but the City is being able to achieve a higher savings rate for those services. Councilmember Navarro asked how the City is saving so much on these plans if the coverage is relatively the same. Ms. Soller responded that it has to do with the contract that participating physicians negotiate with the network. In this particular case, Cigna leveraged higher discount rates than those of the current network with the Arizona Foundation. Jon O'Connor stated that the \$4 million is based upon the amount of claims paid out in prior years compared to the projected discount rate. Employees will benefit when utilizing services at this discounted rate as well.

These plans impact the pre-Medicare retirees and do not have an adverse impact on retirees that are not yet on Medicare. Councilmember Navarro asked how staff incorporated retiree representation into this process. Mr. O'Connor stated that Human Resources mailed pre-Medicare retirees a letter talking about the RFP process and encouraged interested retirees to participate in this process. Two retirees indicated they would like to participate, however one of them was ultimately unable to attend the meetings. Councilmember Arredondo asked if someone is seeing a doctor for a medical condition, can they continue to see that same doctor. Ms. Soller stated that it depends on the contract status of that particular physician with Cigna's network. If the physician is not contracted with Cigna, then out of network benefits would apply to that scenario. Mr. O'Connor added that staff believes that this scenario will be fairly insignificant due to the expansive number of doctors on the Cigna network plan. The proposed plan has 2,662 doctors in network and the current network has 2,641 doctors. In some situations employees or retirees may be utilizing the services of an out of network doctor. Employees and retirees do have the option to select the insurance coverage the will allow them to continue to see doctors if they opt to pay higher insurance rates.

Councilmember Arredondo stated that he has received feedback from some retired employees that felt that they had not been invited to be involved in this process and asked staff to communicate to the retiree population how this process was structured and that the participation of retirees was sought. Mr. O'Connor stated that there will be an educational component to this benefit change for active and retired employees. Human Resources will be sending documentation to these individuals notifying them of the changes to their benefits and to discuss the entire process. Charlie Meyer stated that there are between 600 – 800 retired City employees and they are not networked in any coordinated fashion. In fact when retired employees participate in these type of activities, it is unclear to what extent that population is being represented and how communications occur on issues such as this. Staff will be working on finding better ways to communicate with the retiree population so that these individuals are kept informed of these types of issues. Councilmember Navarro voiced his support for improving the lines of communication with retirees. Councilmember commented that he felt that staff handled this process in the fairest way possible and reiterated the importance of letting retirees know how the process evolved. Councilmember Shekerjian verified that the only retirees that were asked to participate were the individuals that are not Medicare eligible; that retirees on Medicare would not be affected by the proposed changes. Mr. O'Connor responded yes, that is correct. Councilmember Mitchell asked for clarification on what the City currently offers in health benefits. Mr. O'Connor stated that the City currently has a fully funded Cigna HMO Plan. This change will allow employees and retirees to utilize the Cigna network for the PPO Plans as well as the HMO equivalent; with will now be referred to as an EPO Plan. Councilmember Shekerjian got clarification that individuals that are Medicare eligible and retired will not have access to the Cigna HMO Plan.

CONSENSUS

Presentation only.

Capital Improvement Plan Review

DISCUSSION

Charlie Meyer reported that the city is projected to experience an unprecedented 35% decline in net secondary assessed property valuation from fiscal year (FY) 10/11 through 12/13. This steep decline in revenue will have a significantly adverse impact on the City's ability to bond-finance capital projects and the affect of the decline in secondary property tax. For that reason, staff is requesting additional time to compile capital improvement project data and reassess their financial implications for Council consideration in April.

The current capital improvement budget identifies bonds as the funding source for the fire support services facility renovation. We have just bought the facility and it makes sense to move ahead. If we were not so far along, we would be treating it as the rest of our CIP projects, which has been stripped from the CIP proposal. Should the Council vote to proceed with the project and given the reduced ability to bond-finance projects, Mr. Meyer stated that staff is proposing to utilize CIP reserves. That would allow the city to proceed with this important project. This project is listed on the formal agenda this evening.

Based upon information received from the Maricopa County Assessor's office, Jerry Hart stated that Tempe is projecting a 35% decline in secondary assessed valuations. This decline is unprecedented in the City's history. Mayor Hallman added that this decline has been unprecedented in the County or State as well. Fortunately, the City is still better than other communities who are forced to borrow additional money and then must pay it back. The actual secondary revenues that go into the debt service fund to service outstanding debt is impacted in two ways: 1) by the valuation decline; 2) by the interplay between the primary property tax rate and the secondary property tax rate. Primary taxes go into the City's general fund. He further explained that there is an inverse relationship as the City maximizes the primary rate resulting in a decrease to secondary, as the City maximizes the allowable primary tax on an overall \$1.40 rate. Mayor Hallman clarified that this results in a \$11.7 million decrease in secondary property tax through the FY12/13. Mr. Hart added that the State of Arizona imposes debt limitations requiring that jurisdictions have no more than 6% - 20% of net secondary assessed valuation in outstanding debt. With the decline of properties values, the debt issuance limitations further reduce the City's ability to consider the issuance of future debt.

Councilmember Mitchell requested that staff keep Council informed regarding debt service obligation data and how that impacts the City's bond rating and ultimately effects what we pay in interest..

For illustrative purposes, staff prepared a five year CIP listing using the 35% decline in projected revenues and deferring projects. The result is the elimination of the streets and transportation program, the general purpose program and the park renovation program. Given the magnitude of economic instability, staff recommends a complete re-evaluation of the capital improvement plan, as well as how it is financed, in order to determine what sustainable expenditures are appropriate for the CIP, as is currently being done for the General Fund. Staff will be assessing current outstanding debt and the possibility of looking into restructuring that debt to see if any benefit can be gained. It is important the basic infrastructure of the City be maintained, at a minimum. Mayor Hallman added that it would also be helpful to know what Tempe's current bonding capacity would be, given the debt limitations, conduct a 10 year property valuation comparison plus new construction, and how retirement of debt impacts bonding capacity.

Councilmember Navarro asked if park renovations will continue or be delayed, given this new information. Mr. Meyer responded that all projects where no expenditures have been committed via a contract will be placed on hold until a comprehensive CIP evaluation and reprioritization takes place. Staff recognizes the need to maintain infrastructure, which will be an item up for discussion during an upcoming CIP presentation. Not maintaining infrastructure will cost more money in the long run. Mayor Hallman stated that it would be helpful to have staff prepare an overview of the CIP adopted last year and illustrate what must be funded so that it can be determined what, if any money is left over for other projects – a similarly process as was undertaken with the operating budget.

Councilmember Arredondo stated staff needs to update the information being presented to Tempe residents regarding what they get for their money for the bond election that they voted in favor of. It would be easier as a body if a complete list of the bond election covered. Mayor Hallman agreed and stated that the 5 year CIP was based on bonding capacity and given the reduction in property taxes and their adverse impact upon debt limitations. We can identify what the bond elections items specifically and what can now be afforded based on debt limits. We need the same level of detail as we did for the General fund in order to set priorities and how to apply available funding.

CONSENSUS

Staff was directed to return to Council with a recommendation for a scaled back CIP and the following information:

1. Bonding capacity data
2. Retire debt obligation data
3. 10 year valuation study of property values and the impact based on hyper-inflation and new normal plus new construction
4. Last 5 years of CIP projects to analyze what needs to be completed
5. A list of bond funded projects which were voted for by the electors

Council to re-evaluate CIP based on information and analysis provided by staff to determine sustainable levels of the City's CIP.

City of Tempe Human Services Recommendations for Fiscal Year 2010/2011

DISCUSSION

Kate Hanley introduced Kathy Stevens, Co-Chair of Tempe Community Council (TCC) Agency Review Board and Mike Rooney, TCC Agency Review Board President. Ms. Hanley acknowledged the Council's budgetary challenges and added that financial pains are being shared among charity and non-profit organizations as well. Corporate and individual donations have declined with the prolonged economic downturn. However, there has been a notable increase in social service needs. Tempe continues to lead the way in strong support of our non-profit partners.

In light of these budget challenges, one of the recommendations is a TCC budget reduction proposal totaling \$122,000, \$92,000 of which was marked for restoration based on the sales tax proposition. These reductions stem from the TCC operating and program budget allocations (eliminating 2.5 positions, elimination of graduation night, special assistance to individuals, homeless prevention and reductions to the unity grants). Beginning July 1, TCC will have a 30% reduction in its workforce over the last two years. Because of this, TCC is committed to restructuring its organization to ensure that TCC continues to be inclusive and serve the community by delivering quality services in a cooperative and collaborative fashion. Ms. Hanley thanked the Council for earmarking the \$92,000 for restoration, should the temporary privilege sales tax increase ballot measure pass.

Kathy Stevens read a statement illustrating the agencies relevance in meeting social service needs and voiced her gratitude at the Council's historical and consistent financial participation in meeting those needs. TCC exists to serve those most in need within the community. For fiscal year 2010/2011, 34 agencies submitted 47 program funding requests totaling over \$1.2 million. This total was over \$216,000 above the 2009/2010 funding allocation. With only three new agencies and programs requesting funds, it should be noted that the additional requests came from existing programs that have seen an increased demand for their services. Ms. Stevens asked Councilmember's to take special note of the supplemental budget request that more accurately represent the needs facing human services providers and Tempe residents. Ms. Stevens asked Councilmember's to consider holding harmless the human services budget, if at all possible and to approve their recommendations.

In the agency review process, the funding priority was to focus on helping individuals and families in crisis by providing for basic human services such as food and shelter. Ms. Stevens acknowledged the contributions of Angel Carbajal, fellow TCC board members and all of the community volunteers that each donated an estimated 20 hours of service to this agency review process.

Mr. Rooney also thanked the Council for their consistently generous support of TCC and their mission and voiced his support for the upcoming sales tax ballot measure. Mayor Hallman mentioned that no city resources may be used to advocate for any election. Mr. Rooney clarified that his involvement in promoting the ballot measure is being done separate and apart from his role with TCC, which is a 501c3 non-profit organization.

Councilmember Arredondo asked staff to research the legality and financial implications of paying the Tempe Community Council employees insurance out of the City's general fund budget. He felt that the cost of insurance could be reduced and asked for a cost analysis. Mayor Hallman commented that he thought that the only way that the City could pay for TCC employee insurance was for those individuals to officially become city employees, which he was not opposed to. Councilmember Arredondo commented that that was a separate issue and thinks that we could participate in 3rd party insurance participation. Charlie Meyer stated that he would look into what the barriers are for having employees of another organization, a 501c3, be considered as City employees. Mayor Hallman felt that if TCC becoming City employees would reduce costs all around, it should be examined. Councilmember Shekerjian cautioned that setting a precedent by paying a non-profit employees health insurance premiums may adversely impact benefits that city employees currently have and create an unrealistic expectation in the non-profit community.

CONSENSUS

Staff was directed to:

1. Research the legality and financial impact of paying the Tempe Community Council employees insurance out of the City's general fund budget
2. Place into the proposed budget as presented

CDBG/HOME Programs; 5 Year Consolidated Strategic Plan, FY2010/2011 Annual Action Plan and Analysis of Impediments to Fair Housing Choice

DISCUSSION

Craig Hittie explained that the U.S. Department of Housing and Urban Development (HUD) requires the city to submit an annual action plan. Every five years HUD also requires cities to prepare an analysis of impediments to fair housing choices. This data provides HUD with an assessment and statistical analysis of Tempe's housing and community development needs and a strategic plan for addressing those needs. This data is intended to assess problems associated with ability to choose a place to live where the only condition on that choice is affordability. Legitimate problem areas are identified and prudent approaches are developed to foster opportunities in Tempe for fair housing.

Rich Crystal was then introduced. Mr. Crystal stated that the consolidated plan governs the investment of HUD entitlement resources thorough fiscal year 2014. Community development, affordable/supportive housing are plan elements.

Councilmember Woods asked if Council is able to reprioritize an item, if they so desired. Mr. Hittie responded yes. However, if that item is over a certain dollar amount a public participation hearing process is required. Councilmember Shekerjian mentioned that the report indicates that surveys were sent to over 1,500 Tempe residents and land lords and asked for information pertaining to the survey return rate. Mr. Hittie stated that the survey mailings actually totaled approximately 1,100 section 8 participants, including landlords. Councilmember Arredondo commended Councilmember Woods and Vice-Mayor Ellis on their accomplishments in the area of affordable housing.

CONSENSUS

Presentation only.

2009 Community Attitude Survey

DISCUSSION

Shelley Hearn introduced Chris Tafen, ETC Institute, to give Council an overview of the 2009 Community Attitude Survey (CAS). Mr. Tafen compared CAS results from the year 2007, 2008 and 2009. The overall findings indicate that Tempe's citizens are very satisfied with the decisions that leadership is making in this community. For cities with populations over 100,000, Tempe has the highest composite index across the board. This suggests that the leadership and decision making rank favorable among residents, even during this economic downturn. The purpose of conducting this assessment is to ascertain how well city services are being delivered. There was a random sample of 808 households – in order to achieve that 2,400 households were mailed a survey and the outcome was a 33% response rate. Compared to two years ago, Tempe's ratings have held their ground while the average national ratings have dropped 10 points. This speaks to doing a good job at allocating resources. In fact, 90% of Tempe residents give positive ratings, while the national average is approximately 56%. Recreation and transportation received remarkably high rankings with significant improvements. Transportation is up. Findings also indicated that priorities such as public safety and neighborhoods remain a concern, as well as economic development. There are no deficiencies in any area. Private property maintenance and alley ratings have significantly improved. The bottom line is that the City of Tempe does not have any major deficiency anywhere in the survey, which means that leadership is doing what residents expect. The overall quality of city services is rated 34% above the national average. Any decreases were related to the economy.

Mayor Hallman asked staff to review the survey and identify areas of hot spots that should be areas of focus for improvement. Vice-Mayor Ellis asked how surveys are compared among jurisdictions. Mr. Tafen responded that residents are surveyed on a national level as well as over 200 individual community surveys. Councilmember Shekerjian stated that this is an incredibly valuable tool to convey how citizens feel about how the city is being run and added that this is information that should be used to promote this community and thanked Mr. Tafen for the comprehensiveness of his approach.

CONSENSUS

Staff was directed to promote the survey results to the community and to identify hot spots of concern and areas in need of improvements.

Council Calendar Schedule

DISCUSSION

Councilmember's compared calendars to discuss their meeting date availability. Since two councilmember's were unable to attend the April 8, Council meeting it was agreed that all Council meetings for that date be cancelled. Mayor

Hallman asked the City Clerk to check with Council Elect Arredondo-Savage regarding her meeting date availability and to check with the Maricopa County Elections Department to find out when the last possible date to conduct an election canvassing meeting is in order for it to meet state statutes. Mr. Hart asked councilmember's to keep in mind that if the temporary privilege sales tax ballot measure is to take effect on July 1 should it pass, it will take an ordinance 30 days to take affect after its approval by Council.

CONSENSUS

Staff was directed to:

1. Cancel the April 8, Council formal meeting, Issue Review Session and Executive Session
2. Reschedule the canvass of the Elections to a tentative date of May 28th and provide Council with dates that fall within canvass statutes
3. Check meeting date conflicts with future Councilmember Arredondo-Savage for setting a council calendar meeting and return to Council

Formal Council Agenda Items

None

Future Agenda Items

Councilmember Shekerjian commented that the community attitude survey should be used as a promotional tool opportunity and could be used in the Google application documentation. Mayor Hallman agreed that the results are unmatched and that the survey results should be promoted.

Vice-Mayor Ellis referred to a budget balancing proposal memo recently submitted to Council from staff and that some of the items mentioned were 'revenue neutral'. In that memo, staff is proposing to move items around in an already approved budget document. Vice-Mayor Ellis requested that all budget updates be brought before Council for formal review, regardless of whether or not they are defined as being 'revenue neutral'. Councilmember Arredondo echoed that view stating that all proposals are just recommendations until approved by Council. Mayor Hallman stated that all proposed changes should be brought before the City Council at an Issue Review Session so that the public is aware of what is happening. Councilmember Shekerjian stated that there are some budget changes that are brought before the council committee's and agreed that all changes should ultimately be brought to the entire Council for review.

Councilmember Navarro inquired as to when the light rail sound mitigation findings will be brought back to Council for an update. Jeff Kulaga will be presenting this item on April 22 at the Issue Review Session.

Mayor's Announcements/Manager's Announcements

None.

Meeting adjourned at 7:33 p.m.